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Message Text

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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
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P 112154Z MAY 78
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TO SECSTATE WASHDC PRIORITY 1412

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E.O. 11652: N/A
TAGS: OECD
SUBJECT: OECD MINISTERIAL PREPARATIONS DISCUSSED AT
HEADS OF DELEGATION MEETING MAY 10

REF: PARIS L3558

SUMMARY: HEADS OF DEL CONSIDERED SECRETARIAT'S DRAFT MINISTERIAL AGENDA AND REACHED PRELIMINARY CONSENSUS THAT AGENDA SHOULD HAVE TWO MAJOR THEMES: GROWING INTERDEPENDENCE OF THE WORLD ECONOMY WITH SPECIAL REFERENCE TO DEVELOPING COUNTRIES (FOR DISCUSSION MAINLY AMONG FOREIGN MINISTERS ON FIRST DAY) AND POLICIES FOR SUSTAINABLE ECONOMIC GROWTH (MAINLY FOR ECONOMIC AND FINANCE MINISTERS ON SECOND DAY). SEVERAL DELEGATES EMPHASIZED THAT SINCE ALL ITEMS ARE INTER-RELATED, SUB-ITEMS ON ENERGY, TRADE PLEDGE, POSITIVE ADJUSTMENT POLICIES COULD BE DISCUSSED UNDER BOTH HEADINGS. SECRETARIAT WILL SHORTLY CIRCULATE ANNOTATED AGENDA, MAIN ISSUES PAPER FOR MINISTERS AND SEVERAL KEY PAPERS. DETAILS ON PREPARATIONS AND SCENARIO ARE LIMITED OFFICIAL USE

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GIVEN BELOW. WASHINGTON'S COMMENTS
SHOULD BE FORWARDED IN TIME FOR NEXT HEADS OF DEL ON
MINISTERIAL, TUESDAY, MAY L6 AT 10:30 A.M. END SUMMARY

1. HEADS OF DELEGATION MEETING MAY 10 DISCUSSED DRAFT AGENDA PREPARED BY SECRETARIAT FOR JUNE 14-15 MINISTERIAL MEETING. PROPOSED AGENDA WHICH WAS ONLY AVAILABLE DAY

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BEFORE MEETING IS AS FOLLOWS:

1. ADOPTION OF THE AGENDA

2. THE GROWING INTERDEPENDENCE OF THE WORLD ECONOMY WITH SPECIAL REFERENCE TO THE DEVELOPING COUNTRIES

   (A) RELATIONS WITH DEVELOPING COUNTRIES

   (B) ENERGY POLICIES

   (C) RENEWAL OF MAY 30, 1974 DECLARATION

3. POLICIES FOR SUSTAINABLE ECONOMIC GROWTH

   (A) A PROGRAMME FOR CONCERTED ACTION

   (B) POSITIVE ADJUSTMENT POLICIES

4. COMMUNIQUE

5. OTHER BUSINESS

2. SECRETARY GENERAL VAN LENNEP SAID HE HAS NOW DISCARDED IDEA OF INFORMAL PARALLEL MEETING OF FINANCE
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MINISTERS ON FIRST DAY. HOWEVER, HE SAID ARRANGEMENTS ON HOW TO HAVE INTERESTING MEETING OF FINANCE MINISTERS ON THE SECOND DAY INCLUDING FEASIBILITY OF SEPARATE INFORMAL SESSION (MINISTER AND ONE ONLY) IS "STILL UNDER DISCUSSION" WITH JAPANESE CHAIRMAN AND VARIOUS DELEGATIONS. IN COURSE OF DISCUSSION, DENMARK, NETHERLANDS, AND BELGIUM CAME OUT IN FAVOR OF RESTRICTED MEETING ON GROWTH.

3. IN COURSE OF DISCUSSION BASED ON PRELIMINARY PERSONAL REACTIONS OF HEADS OF DEL, THERE WAS GENERAL

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CONSENSUS THAT AGENDA SHOULD BE MORE FLEXIBLE AND CONCENTRATED. SEVERAL SPEAKERS STRESSED THAT ISSUES ARE INTERRELATED AND THEREFORE ARBITRARILY ASSIGNING SUB-ITEMS A PLACE ON AGENDA IS DIFFICULT. SEVERAL DELEGATIONS QUESTIONED IF DISCUSSION OF ENERGY AND TRADE PLEDGE SUB-ITEMS, WOULD NOT BE MORE SUITABLE UNDER SUSTAINABLE ECONOMIC GROWTH POLICIES. OTHERS, NOTABLY FRENCH AMB ASSADOR, NOTED THAT POSITIVE ADJUSTMENT POLICIES SUB-ITEM ALSO RELATED TO GROWING INTERDEPENDENCE OF WORLD ECONOMY WITH SPECIAL REFERENCE TO NEWLY INDUSTRIALIZING LDCS.

4. SECGEN VAN LENNEP CONCLUDED THAT THE REVISED FORMAL AGENDA WOULD INCLUDE ONLY THE TWO MAIN SUBSTANTIVE HEADINGS ON THEMES OF GROWING INTERDEPENDENCE AND SUSTAINABLE ECONOMIC GROWTH POLICIES. (NORWEGIAN DEL PROPOSED ADDING ADDITIONAL WORDS "MANAGEMENT OF" TO BEGINNING OF ITEM 2). THE SECRETARIAT WOULD ALSO SOON CIRCULATE AN ANNOTATED AGENDA WHICH WOULD MAKE SOMEWHAT CLEARER WHAT SUBJECTS SHOULD BE ADDRESSED UNDER THE MAIN HEADING. IN ADDITION SECGEN PLANS TO PRODUCE A
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SINGLE MAIN ISSUES PAPER FOR THE MINISTERS WITH ESSENTIAL BACKGROUND AND ISSUES FOR MINISTERIAL CONSID-ERATION AND DECISIONS SHARPLY POSED.

5. FOLLOWING RELATES TO PREPARATIONS OF SPECIFIC ISSUES FOR MINISTERAIL DISCUSSION.

RE ITEM 2 - GROWING INTERDEPENDENCE OF THE WORLD

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ECONOMY:

- RELATIONS WITH DEVELOPING COUNTRIES:

SECGEN HAS TWO THEMES IN MIND FOR THIS DISCUSSION:

(A) NEED TO CHANNEL GLOBAL EXCESS SAVINGS (FROM OPEC AND OECD COUNTRIES) TO INVESTMENT PROJECTS (FOR FOOD, ENERGY, RAW MATERIALS) IN LDC'S, THUS ADDING NEW ELEMENT TO "CONCERTED STRATEGY" BY INCREASING GLOBAL DEMAND AND PRODUCTIVE CAPACITY; AND

(B) NEW FUNCTIONAL APPRAOCH TO INTERDEPENDENCE ALONG LINES OF CE(78) 6 ("JOLLY PAPER") DISCUSSED AT APRIL L4 XCSS MEETING. DOCUMENTATION FOR THEME (A) PROMISED BY THIS WEEKEND AND WILL BE DISCUSSED AT HIGH LEVEL DAC MEETING ON MAY 23 (SEE PARIS 14738 IN AIDAC SERIES). FOR MINISTERIAL, THESE THEMES MAY BE INCORPORATED INTO ONE GENERAL PAPER, OR SPLIT IN TWO. IN ADDITION, SECRETARY GENERAL IS WORKING ON ISSUE OF OECD RELATIONS WITH NON-MEMBERS AND HOPES TO HAVE PRELIMINARY IDEAS SET OUT IN A PAPER HE PLANS TO DISCUSS WITH HEADS OF DEL. THIS TOPIC MAY NOT BE READY FOR FULL DISCUSSION AT 1978 MINISTERIAL (SEE SEPTEL).
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- ENERGY:

SECRETARIAT WILL PROBABLY PRODUCE SEPARATE PAPER COVERING SHORT, MEDIUM, AND LONG TERM PROBLEMS IN ENERGY POLICY AS IT RELATES TO WORLD ECONOMIC INTER-DEPENDENCE. VAN LENNEP DOES NOT, HOWEVER INTEND TO MAKE ANY NEW ENERGY PROPOSALS. SECRETARIAT'S GENERAL ECONOMIC PAPER WILL ALSO INCLUDE ENERGY ASPECTS. SEVERAL DELEGATIONS, AS STATED ABOVE, EXPRESSED DESIRE TO ALSO DISCUSS ENERGY UNDER ITEM 3 SINCE ENERGY IS OF DIRECT CONCERN TO SUSTAINABLE ECONOMIC GROWTH. DANISH AMBASSADOR KORSBAEK, IN LONG INTERVENTION, STATED THAT MINISTERS SHOULD HAVE OPPORTUNITY TO ADDRESS KEY PROBLEM OF ENERGY PRICING POLICY IN RELATION TO CURRENT ECONOMIC MALAISE. MINISTERS SHOULD EXAMINE RADICAL SHIFT SINCE L973 IN RELATIVE ENERGY PRICE LEVELS BETWEEN U.S. AND EUROPE. KORSBAEK SAID AFTER MANY YEARS OF FOLLOWING RELATIVELY HIGH ENERGY PRICE POLICY BY PROTECTION AT BORDER U.S. SWITCHED TO

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POLICY OF ARTIFICIALLY KEEPING PRICE OF ENERGY
UNREALISTICALLY LOW, WETL BELOW MARKET PRICE. THIS
SITUATION HAS PROFOUNDLY NEGATIVE EFFECT NOT ONLY
ON BALANCE OF PAYMENTS AND EXCHANGE RAT FLUCTUATION
BUT ON EUROPEAN GROWTH AS WELL, AND IS FAR MORE
IMPORTANT ISSUE IN RELATION TO EUROPEAN PROSPERITY
THAN WHETHER FRG SHOULD EXPAND GROWTH BY ADDITIONAL
FRACTION OF PERCENT. KORSBAEK SUGGESTED OTHER
COUNTRIES COULD NOT BE BLAMED FOR THEIR DEFENSIVE
ACTIONS WHEN LARGEST ECONOMY GAVE A GENERAL SUBSIDY
TO ITS INDUSTRY VIA CHEAP ENERGY. KORSBAEK AT END
SUGGESTED SECRETARIAT PREPARE PAPER ON ECONOMIC EFFECTS
OF ENERGY PRICING POLICIES FOR ATTENTION OF MINISTERS.
IN LATER PRIVATE CONVERSATION KORSBAEK TOLD CHARGE
HE HAD MADE HIS STATEMENT ON INSTRUCTIONS FROM
COPENHAGEN AND THAT WHILE HE WAS NOT SPEAKING IN
EC CAPACITY DANISH VIEWS REFLECTED CONSULTATIONS
WITH EC PARTNERS (NOT LOCALLY).

- TRADE PLEDGE:

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TRADE COMMITTEE TO MEET MAY 23-24 TO TAKE UP GRAU TEEG'S PROPOSAL. THEIR RECOMMENDED TEXT WILL BE PRESENTED TO COUNCIL PRIOR TO MINISTERIAL MEETING. SEVERAL DELEGATES EMPHA ITED THEIR DESIRE ALSO TO DISCUSS TRADE PLEDGE UNDER ITEM 3 SINCE SUBJECT WAS RELATED TO BOTH ECONOMIC GROWTH AND STRUCTURAL ADJUSTMENT. WE UNDERSTAND REVISED AGENDA MAY HAVE TRADE PLEDGE AS SEPARATE ITEM.

RE ITEM 3 - ON POLICIES FOR SUSTAINABLE ECONOMIC ACTIOGROWTH:

- CONCERTED ACTION PROGRAM:

ISSUES WILL BE PREPARED IN DETAIL OY EPC MAY 29-30 ON BA IS OF MAIN ISSUES PAPER WHICH LAYS OUT FORECASTS AND ESSENTIAL ISSUES. VAN LENNEP PS STRIVING FOR GREATEST POSSIBLE SPECIFICITY IN DECISIONS TO BE PRESENTED TO MINISTERS. HE DOES NOT WANT OVERALL TARGET AND HE RECOGNIZES THAT ANNOUNCEMENT OF SPECIFIC COUNTRY ECONOMIC MEASURES WOULD NOT BE REALISTIC. HE IS HOPEFUL OF SPECIFYING ACTIONS THAT KEY GROUPS OF COUNTRIES SHOULD TAKE

- POSITIVE ADJUSTMENT POLICIES:

SECRETARIAT HAS JUST RELEASED FIVE-PAGE PAPER FOR CONSIDERATION BY HEADS OF DELEGATIONS ON MAY 23 AND BY EXPERTS' GROUP WHICH WILL MEET ALONG SIDE OF EPC (SEE SEPTEL). SECRETARIAT EXPRESSED HOPE BROAD CONSENSUS COULD BE REACHED WITH POSSIBLE PROPOSALS FOR FOLLOW UP ACTION BY THE COUNCIL. SECRETARIAT BELIEVES SEPARATE PAPER LIKELY TO BE PRESENTED TO LIMITED OFFICIAL USE

MINISTERS, BUT MUST AWAIT RESULTS OF EXPERTS' MEETING.

6. TURKISH AND PORTUGUESE DELEGATES REQUESTED ADDING SUB-ITEM UNDER 3 IN LIGHT OF PARAGRPH 17 OF 1977

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MINISTERIAL COMMUNIQUE ON PROBLEMS OF CERTAIN MEMBER COUNTRIES. VAN LENNEP AGREED THAT SUSTAINABLE ECONOMIC GROWTH MUST TAKE INTO ACCOUNT PROBLEMS OF CERTAIN COUNTRIES, AND WILL REFLECT ON HOW THIS ISSUE CAN BE DEALT WITH IN THE MINISTERIAL. SEE SEPTEL ON SECRETARIAT'S PLANS FOR TREATING THIS ITEM IN 1979 MINISTERIAL.

7. COMMUNIQUE - SECGEN STATED FIRST DRAFT OF COMMUNIQUE WILL BE PRESENTED TO HEADS OF DELEGATION IN TIME FOR PRELIMINARY VETTING.

8. FORMAT FOR LIVELY DISCUSSIONS. SEVERAL DELEGATIONS URGED THAT SESSIONS BE AS LIVELY AS POSSIBLE WITH RIGHT TO INTERVENE AND TIME LIMITATIONS PLACED ON SPEAKERS. LONG STATEMENTS EXCEEDING FIVE MINUTES SHOULD BE SUBMITTED IN WRITING FOR THE RECORD, ENSURING MAXIMUM TIME FOR ANIMATED DISCUSSIONS. UNDECIDED AS YET WHETHER THERE SHOULD BE A FEW KEYNOTE ADDRESSES EITHER AT OPENING SESSION OR TO INTRODUCE INDIVIDUAL TOPICS OR WHO SHOULD DELIVER THEM. CRISP ISSUES
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PAPER SHOULD POINT UP MAJOR QUESTIONS FOR CONSIDERATION AND DECISION. IN RESPONSE TO SUGGESTION THAT ORGANIZATION'S PROGRESS AND ACCOMPLISHMENTS SHOULD BE REVIEWED VAN LENNEP UNDERSCORED MINISTERIAL SHOULD BE APPROACHED AS SERIOUS POLICY DISCUSSION ORIENTED TO FUTURE, NOT AS "SHAREHOLDERS MEETING".

10. ANY WASHINGTON COMMENTS SHOULD ARRIVE IN TIME

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FOR NEXT HEADS OF DELEGATION MEETING TUESDAY,
MAY 16 AT 10:30 A.M.
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